



Office *of the* Inspector General
SOCIAL SECURITY ADMINISTRATION

**Congressional Inquiry
Regarding the
Social Security Administration's
Disability Case Processing
System**

Interim Report

September 5, 2014

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INTRODUCTION

Disability Case Processing System

The Social Security Administration (SSA) partners with state disability determination services (DDS) agencies to evaluate disability claims and make disability determinations. The 54 DDS agencies use various customized systems to process disability claims and other non-SSA workloads. Supporting and maintaining these systems requires significant resources.

The Disability Case Processing System (DCPS) is a nationwide SSA initiative to bring greater consistency to DDS agencies and the disability determination process. SSA conceived of DCPS as a modern, common case processing system across all jurisdictions, which would simplify system support and maintenance and reduce the overall growth rate of infrastructure costs. DCPS is designed to provide a single system that integrates the entire disability determination process from start to finish.

SSA planned for DCPS to incorporate additional functionality, such as decision support tools, improved quality checks, improved management information, and compatibility with industry standards for electronic medical records. SSA anticipates that DCPS will also improve the overall quality of the disability determination process, by minimizing processing times and increasing system availability. Further, SSA expects to implement software enhancements and modifications more efficiently and consistently, and at a reduced overall cost.

SSA's investment committee approved the DCPS project in July 2009. In September 2009, SSA submitted its budget request for the project to OMB with estimated total project costs of \$381 million. SSA awarded the contract to develop the DCPS software in Fiscal Year 2011.

In March 2014, SSA contracted with McKinsey & Company, Inc. (McKinsey) to independently analyze the DCPS project. The resulting report found that SSA invested \$288 million in DCPS over six years; however, the project delivered limited functionality, and faced schedule delays as well as increasing stakeholder concerns. The report states that SSA leadership had decided to "reset" the program to increase the likelihood of successful delivery.

Request for Investigation

On July 23, 2014, the House Committee on Oversight and Government Reform sent a letter to Acting Commissioner of Social Security Carolyn Colvin, expressing concerns about DCPS. In the letter, Chairman Darrell Issa, as well as Chairman James Lankford, Subcommittee on Energy

Policy, Healthcare and Entitlements, and Chairman Jim Jordan, Subcommittee on Economic Growth, Job Creation, and Regulatory Affairs, reported that whistleblowers made the Committee aware of serious concerns with the management of DCPS. The letter also alleged that SSA officials improperly withheld the findings from the McKinsey & Company report, and asked SSA to “produce all documents and communications referring or related to the Disability Case Processing System, including but not limited to the McKinsey report, between March 1, 2014, and the present.” To date, SSA has provided a partial response to this request and shared this same information with our office.

On July 25, 2014, our office received a letter from Chairman Sam Johnson of the Subcommittee on Social Security, House Committee on Ways and Means, requesting that we conduct a “full and immediate investigation into the Social Security Administration’s (SSA) mismanagement and failed implementation of the Disability Case Processing System (DCPS) costing taxpayers close to \$300 million to date.”

Also on this date, Chairman Johnson sent a letter to Acting Commissioner Colvin, urging SSA to stop further spending on the implementation of the DCPS project, until such time as the Acting Commissioner could provide the Subcommittee with the Agency’s plan to address DCPS issues and ensure a timely and effective roll out of DCPS. On July 30, 2014, Acting Commissioner Colvin responded to this letter, indicating that SSA was unable to act on the Subcommittee’s request to stop work, and was implementing the recommendations set forth in the McKinsey report. In addition, Acting Commissioner Colvin affirmed her full cooperation with our investigation into DCPS.

In response to the Subcommittee’s request, we immediately put together a workgroup from our Office of Investigations and Office of Audit to review this matter. Our Office of Investigations formed a dedicated investigative team comprised of two supervisory special agents, two senior special agents, and a senior computer forensic analyst. A primary focus of our investigation is to determine whether SSA officials misled or withheld any information from the Congress or our office regarding the deficiencies in the development or implementation of DCPS, as well as glean a full understanding of what led to the Agency’s decision to seek an independent analysis from a contractor.

At the same time, our Office of Audit’s Information Systems Division also began reviewing SSA documents to answer questions posted in Chairman Johnson’s letter to the OIG. This division also initiated a review to evaluate SSA’s plan to complete the DCPS project, which will be communicated through a formal Congressional Response Report. Our Office of Audit’s ongoing evaluation entails reviewing the independent analysis (McKinsey) report and SSA’s plans to address the recommendations resulting from this analysis. As part of the evaluation, we also intend to assess whether, going forward, SSA has established: (1) reasonable milestones and deliverable dates; (2) a process to monitor progress, identify issues and take corrective action;

and (3) plans to keep key stakeholders—including congressional oversight committees and the Inspector General—informed of the project’s status.

This interim report serves to provide Chairman Johnson and the Subcommittee on Social Security responses to many of the questions posed in the July 25, 2014 letter; a status of all efforts this office has undertaken to date; and our planned next steps in the ongoing investigation and evaluation.

INTERIM RESPONSES

Questions 1 and 2:

- *What did the Acting Commissioner know about the delays or deficiencies in the development of implementation of DCPS, and when did she know about them?*
- *Why wasn’t the Office of Inspector General or the Congress notified about DCPS implementation challenges, and is there any evidence that individuals in the agency willfully withheld information from the Congress and the American people?*

These questions are the primary focus of our ongoing investigation as requested by Chairman Johnson. To date, our investigative team has conducted numerous interviews of SSA employees and executives, while also reviewing various DCPS-related documents. However, SSA has been unable to complete its search for certain requested records due to a systems upgrade, as more fully discussed on page 10. Though we are still gathering and reviewing relevant information, we anticipate issuing a thorough Report of Investigation that will address the issues raised in these questions by October 2014.

Thus, at this stage of the investigation, it would not be appropriate to provide findings, or draw conclusions until the investigative work is completed.

As to why our office was not notified about DCPS challenges, it is important to note that we were specifically excluded from participation in the Agency’s DCPS Steering Committee, which has provided guidance and oversight for this project since inception. Rather, SSA agreed to periodically brief us on the status of DCPS. The Agency did invite us to nine briefings on DCPS from May 2009 to March 2013; however, at those briefings, SSA never indicated it was experiencing significant problems with the project.

In March 2014, given the duration of the development and testing phases, our Office of Audit independently decided to conduct a review of DCPS in Fiscal Year 2015. On March 7, 2014, at our and Grant Thornton’s request, we met with SSA to get an update on the DCPS project. Although SSA issued its Request for Quotation to the prospective vendors on the same day, the

Agency did not inform us of any issues that had a significant impact on the usability or functionality of DCPS, or that it was seeking an independent contractor to provide an assessment of the project.

On May 28, 2014, again at our and Grant Thornton's request, SSA and Lockheed Martin provided us with a demonstration of the DCPS beta software. None of the usability or functionality issues were discussed. Again, SSA made no mention of issues with the project, even though McKinsey & Company was completing its analysis and would issue its report to SSA five days later.

In August 2014, in response to our notice that we were initiating an evaluation, SSA briefed our Office of Audit on the status of DCPS, and invited us to participate in two meetings to discuss the Agency's plans for moving forward with the project.

Question 3: What information or evidence was the basis for Social Security seeking an independent consultant?

The investigation to date suggests that DCPS functionality and usability challenges experienced by end users in the three beta sites (Idaho, Illinois and Missouri) contributed to SSA's decision to seek an independent analysis of DCPS. However, our investigation is still ongoing in reference to who specifically authorized the retainer of the independent consultant, and the specific information or evidence that person or persons used to make that decision. Again, we anticipate investigative findings by October 2014.

Question 4: When was the independent consultant first contacted?

According to SSA's records, the Agency first contacted the independent consultant on March 7, 2014.¹ Agency personnel stated that they conducted market research in February 2014 to identify independent organizations that could serve as an "honest broker" to perform an objective assessment of the DCPS program, without undue influence by SSA. According to SSA, the contractors needed to have the technical expertise to review a system under development and, more importantly, have experience with SSA's disability process and its system development process.

SSA identified three possible vendors, all of whom were on the General Services Administration (GSA) Schedule:

1. Bain and Company
2. The Boston Consulting Group
3. McKinsey & Company, Inc.

¹ We will provide any additional detailed information upon completion of the OIG investigation.

On March 7, 2014, SSA sent a Request for Quotation to each of the vendors. SSA stated that only McKinsey & Company, Inc. responded with a proposal by the March 14, 2014, due date. The Agency awarded the contract to McKinsey on March 21, 2014.

Question 5: How much was the independent consultant paid to tell the SSA that the project was in trouble?

As of August 13, 2014, SSA has paid McKinsey \$797,000 for the two-part contract valued at \$1.3 million. McKinsey will receive the remainder after SSA accepts the deliverable for Part 2 of the contract. For Part 1, SSA agreed to pay McKinsey \$821,000 to evaluate the DCPS project. SSA tasked McKinsey to assess the requirements definition process, current and proposed program, contract management approaches, and implementation plans. On June 3, 2014, SSA received the McKinsey report, which contained seven recommendations.

On June 24, 2014, SSA issued a contract modification (Part 2) for McKinsey to do additional work related to the seventh recommendation, which was to determine whether SSA could use commercial off-the-shelf software for DCPS. SSA agreed to pay \$495,000 for McKinsey to report its findings, and McKinsey completed this additional report on August 15, 2014.

Question 6: How many entities were involved in the project, who are they, what was their role, and compensation?

Lockheed Martin is the primary vendor contracted to develop the DCPS system and provide information technology support services. According to SSA, the Agency has paid Lockheed Martin over \$168 million to date.

The following vendors also appear to have played a role in the DCPS project:

- Accenture National Security Services—provided support in the area of emerging technology and software integration.
- Alvarez & Associates LLC—provided software in support of DCPS.
- Booz Allen Hamilton—provided consultant services related to capital planning, market/trend analysis, and other IT support.
- Clearavenue, LLC—provided server support for DCPS.
- Communications Professionals Inc.—provided software in support of DCPS.
- Computer Sciences Corporation—provided support for servers, software engineering, and application validation.
- Convergence Technology Consulting LLC—provided software in support of DCPS.
- Dell Marketing L.P.—provided computers and workstations.
- EMC Corporation—provided data storage equipment and services.
- Entarco USA Inc.—provided data modeling support services.
- Environmental Systems Research Institute Inc.—provided software in support of DCPS.

- Force 3 Inc.—provided hardware for DCPS.
- Forrester Research—provided a background on the evolution of IT and the direction of IT architecture.
- GovConnection Inc.—provided software in support of DCPS.
- Hewlett-Packard—provided computers workstations and services.
- IBM—described the vision and guiding principles to be used in the development of DCPS. IBM also provided hardware, software and labor to support DCPS.
- immixTechnology, Inc.—provided videoconferencing systems.
- Iron Data Solutions, Inc.—supported DCPS integration with legacy systems.
- Merlin International, Inc.—provided software in support of DCPS.
- Mütō Performance Corporation—provided information about successful planning and managing of organizational changes associated with IT projects.
- Noblis—performed an independent evaluation of five DCPS architectural alternatives.
- Northrup Grumman—supported the interfacing of DCPS with other SSA applications.
- Sheraton Baltimore North Hotel—hosted a DCPS fiscal information technology meeting.
- Softchoice Corporation—provided software in support of DCPS.
- Solutions Engineering Corp—provided servers in support of DCPS.
- Tremont Hotel Limited Partnership—provided conference support services for SSA’s DDS administrators meeting.

We are working with SSA to update and refine this list, and to determine the compensation provided to each vendor. We will include updated information in our Congressional Response Report, which we expect to issue by early October 2014.

Question 7: What has been the role of the SSA staff, the DDS staff, and the vendors in program development and implementation?

On July 30, 2014, we issued a Start Notice to SSA for our Congressional Response Report, which will provide background on DCPS including the roles of SSA staff, DDS staff, and vendors. Based on our preliminary evaluation results, it appears that SSA staff made the final decisions on all DCPS activities, and had ultimate ownership of the quality of end results and processes. However, SSA contracted Lockheed Martin to perform many DCPS-related activities. For example, SSA contracted Lockheed Martin to prepare the project schedule and development methodology, and to develop the DCPS system itself. SSA staff and Lockheed Martin shared responsibility for defining and testing system functionality, site implementation, training, technical support, and evaluating beta systems. In addition, SSA contracted Lockheed Martin to perform a gap analysis in March of 2013. The purpose of this analysis was to identify functionality gaps and update the beta system accordingly.

Our preliminary analysis indicates that DDS personnel—the intended users of DCPS—were not adequately involved in the project throughout its development. The DCPS Steering Committee

includes 16 DDS administrators. In addition, SSA included DDS subject matter experts in the initial development of user requirements. However, our analysis suggests that the beta releases of DCPS have not delivered adequate functionality, at least in part because clear requirements had not been identified and incorporated into the software. To increase user involvement in the definition of user requirements and system testing, SSA established the DCPS User Integration Team (DUIT) in April 2014, which includes DDS users.

Question 8: Who is responsible for the failed implementation of the system and have they been held accountable?

Our audit and investigative efforts to date suggest that no single individual or SSA component has been fully responsible for DCPS, because until recently, neither prior nor current SSA management had designated a single point of leadership. We have determined that components within SSA's Offices of Systems and Operations, along with the DCPS Steering Committee, shared responsibility for the project.

SSA's Office of Disability Policy, within the Office of Retirement and Disability Policy, also played a role in DCPS, as the lead for policy-related issues.

We believe that problems with DCPS resulted, at least in part, from the fact that multiple SSA components, each with their own priorities, had shared responsibility for this complex project. At this point, we have not found any evidence that specific individuals have been identified as solely responsible or held accountable.

That said, it is important to note that since DCPS has not been fully implemented, we are refraining from characterizing the project as having a "failed implementation." We are conducting our current evaluation of DCPS to provide the Subcommittee with a clearer and more detailed picture of the current status of DCPS, with an objective evaluation of SSA's plans to move forward with the project.

Question 9: Does the SSA plan to recover the loss of the hundreds of millions of taxpayer dollars?

The taxpayer dollars expended thus far on the DCPS project have largely been composed of payments made to contractors and sub-contractors involved in the project, and those funds would ostensibly have gone largely toward paying salaries of contractor employees. SSA should not have made those payments if the contractor had failed to meet its obligations under the contract. Therefore, we do not anticipate that SSA will attempt to, or would be able to, recover those funds. Moreover, funds expended to date also include travel, training, and SSA employee salaries, which are similarly not recoverable.

However, the Lockheed Martin contract involved the purchase of durable equipment and goods, such as hardware and software products. If DCPS were not to proceed as designed and planned, much of that equipment could potentially be used for some other system.

Question 10: What specific action has the Acting Commissioner taken in response to the independent consultant's findings/recommendations?

This question is the primary focus of our Office of Audit's forthcoming Congressional Response Report, *The Social Security Administration's Disability Case Processing System*. Our intent in producing this report is to give the Subcommittee the best picture of SSA's current plans for DCPS and our assessment of those plans. Thus far, our work has found that SSA has taken the following steps:

- On June 4, 2014, the Acting Commissioner released an Agency-wide Executive Personnel Announcement notifying all Agency personnel that Assistant Deputy Commissioner Theresa Gruber would serve as the Chief Program Officer (CPO), Disability Case Processing System (DCPS), and take on the key leadership role as the single executive leader of the DCPS program.
- On June 10, 2014, CPO Gruber gathered a team of five individuals to assist in establishing the DCPS Integrated Program Team, and lay out a blueprint for moving forward in fully evaluating and implementing the recommendations, including reviewing current contracts to determine how best to strengthen current vendor management. The CPO has appointed a Senior Advisor to work with the Office of Acquisitions and Grants to identify new procurement options and to reshape the legacy approach SSA has used with their vendors. For example, all future change orders will go through the Information Technology Support Services Contract. CPO Gruber will seek to expand outside consultant analysis to determine additional approaches to moving forward with the DCPS.
- On July 7, 2014, CPO Gruber held a Town Hall Meeting with over 100 Agency personnel working on DCPS, to discuss the management consultant's analysis and recommendations, and how implementation of the recommendations would affect these individuals.
- On August 6, 2014, SSA officials briefed OIG staff on progress made in implementing recommendations from the independent consultant's report. Specifically, SSA identified the following:
 - Acting Commissioner Colvin appointed Assistant Deputy Commissioner for Operations Theresa Gruber as the CPO for DCPS.
 - The CPO established a team to assist in developing an Integrated Program Team.

- The CPO assigned the Deputy CPO and another DCPS Program Office official responsibility to update the Cost Benefit Analysis and identify operational benefits.
- SSA is in the process of applying select agile software development practices to DCPS. For example, future releases will be aligned around products and additional DDS resources were requested to establish a model DDS office.
- SSA is in the process of evaluating the functionality omitted from Beta Releases 1.0 through 4.0. Instead of adding new functionality, the revised approach will be to focus on correcting critical problems identified in previous beta releases.
- SSA plans to revise the rollout schedule for DCPS to additional DDS sites to ensure that a more complete set of software is delivered before it is put into production.
- The CPO assigned an individual within the DCPS Program Office to lead vendor management. The individual is working with the procurement office to identify contract options.
- SSA modified the contract for McKinsey to perform the analysis as to whether commercial off-the-shelf products could be used to meet the Agency's needs related to DCPS. The contractor's report was completed on August 15, 2014.

NEXT STEPS

Congressional Response Report

On July 30, 2014, our Office of Audit, Information Systems Division issued a Start Notice to SSA for its Congressional Response Report, *The Social Security Administration's Disability Case Processing System*. We held an entrance conference with SSA officials on August 6, 2014. Our auditors are currently analyzing documents and interviewing SSA officials. We expect to issue this report by early October 2014. At that time, we would be happy to schedule an in-person briefing for Subcommittee staff regarding our findings from this effort.

Investigation

Our investigative team continues to gather information from interviews with SSA employees and executives and reviews of relevant DCPS-related documents.

On August 1, 2014, the Inspector General sent a letter to Acting Commissioner Carolyn Colvin, asking SSA to produce all relevant documents, records, communications, and other information pertaining to DCPS to our office by August 5. On August 4, the Agency's Office of General Counsel (OGC) contacted us to coordinate the facilitation of document production, indicating that the Agency would fully cooperate with our investigation. At this time, OGC advised our office that we would immediately receive all documents that SSA previously provided to the House Oversight and Government Reform Committee, which included a very limited number of emails.

However, OGC also informed us that the Agency's e-Discovery tool, which OGC uses to screen email files by keyword searches, as well as to extract out any privileged communications, would be down for a systems upgrade for a three-week period from August 7, 2014 through August 29, 2014. SSA agreed to provide other documentation and records that we requested.

We went back to SSA to discuss solutions to obtain the outstanding information we requested. We offered several solutions, including asking if the Agency could delay the systems upgrade to the e-Discovery tool. However, SSA declined to accept any of our proposed solutions. SSA informed us that they had already delayed the upgrade in order to make their limited partial response to the House Committee on Oversight and Government Reform, and further delays in the upgrade were not possible, since it had to be completed prior to the end of the fiscal year.

We continue to work with SSA to receive documentation and other records that do not require the e-Discovery tool for vetting, on a flow basis, to include all documentation that the Agency has provided to both the Subcommittee on Social Security and the House Committee on Oversight and Government Reform.

Nevertheless, before we can complete our investigation and fully address the Subcommittee's concerns as to any withholding of DCPS information, we must receive all outstanding documentation, specifically including emails. Therefore, as stated, we anticipate that investigative findings may not be available until October 2014. However, we cannot rule out that our investigative fieldwork may last significantly longer, as interviews lead to new findings and leads that we must explore. During this process, we will keep the Subcommittee current on our progress, and share any significant findings to the extent that we are able without compromising the investigation.